

BUDGET LETTER

SUBJECT: 2009-10 GENERAL ADMINISTRATIVE COSTS (PRO RATA) AND 2009-10 STATEWIDE COST ALLOCATION PLAN (SWCAP)	NUMBER: 08-27 DATE ISSUED: October 7, 2008
REFERENCES: GOVERNMENT CODE SECTIONS 11270 - 11277, 13332.01 - 13332.03, 22883; STATE ADMINISTRATIVE MANUAL SECTIONS 8752 - 8758	SUPERSEDES: BL 07-29

TO: Department Directors
Departmental Budget Officers
Departmental Accounting Officers
Department of Finance Budget Staff

FROM: DEPARTMENT OF FINANCE

I. Changes for 2008-09 and 2009-10:

New Central Service Agencies

Three new Central Service Agencies (CSAs) will be added to the 2009-10 statewide cost allocation process: Governor's Office (Function Code 810), Office of Planning and Research (Function Code 815), and Office of the State Chief Information Officer (Function Code 105). In addition, the Legislative Counsel Bureau (Function Code 805) will be displayed separately from the Legislature.

Central Service Agency Funding Realignment

Beginning in 2008-09, statewide general administrative costs incurred by CSAs, excluding Health Benefits for Retired Annuitants, will be partially funded from a new fund, the Central Service Cost Recovery Fund (CSCRF), which was created by Government Code Section 11270.1 as added by Chapter 751, Statutes of 2008 (AB 1389). Cost recoveries from special funds through the Pro Rata process will be transferred to the CSCRF up to the aggregate budgeted amount for the CSAs and then to the General Fund thereafter. The underlying Pro Rata cost allocation and recovery methodology will remain the same. Therefore, departments receiving Pro Rata assessments will see no changes other than transfers being made to the CSCRF as well as the General Fund. In addition, there will be no changes to the SWCAP apportionment and recovery methodology. CSAs have received training on how they will be impacted by this change.

II. General Administrative Costs

General Administrative Costs (Pro Rata) represents recoveries from special funds for statewide general administrative costs incurred by CSAs, e.g., Department of Finance (Finance), State Controller's Office (SCO), State Personnel Board, and the Legislature. These recoveries are required by Government Code Sections 11270–11277 and 22883. The costs for each central service are apportioned to all state departments and then allocated to each department's funding source(s). Funds that are classified as "billable" (i.e., funded by special revenue sources such as fees, licenses, penalties, assessments, etc.) reimburse the General Fund and the CSCRF for Pro Rata costs via quarterly transfers made by the SCO. The total billable and nonbillable allocation is used as the statewide indirect cost component of a department's rate structure when billing non-federal clients. It is anticipated that reports reflecting the apportioned costs for 2009-10 will be available by October 10, 2008 at: http://www.dof.ca.gov/FISA/PROSWCAP/prorata_detail_reports.htm.

The Fiscal Systems and Consulting Unit (FSCU) calculates the Pro Rata assessments against billable funds. In early October, the 2009-10 Pro Rata assessments, which are on green sheets, will be provided to Finance budget analysts, who will complete all required information, including the "Adjusted Assessment" column, if applicable, and will forward the completed sheets to the departments for certification. A sample of the Pro Rata assessment sheet is provided in Attachment I. Departments must set aside the assessment amounts in the fund condition statements and workload budget/baseline budgets for the specified fund(s). In addition, the assessment amounts must be reflected in the Supplementary Schedule of Operating Expenses and Equipment (DF 300) on a separate line using the Uniform Codes Manual (UCM) object code 330438. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF 300 accurately reflects the Pro Rata assessments.

Departments must sign the Pro Rata assessment sheet to certify that the assessment amounts have been set aside in the fund condition statement(s) for the specified fund(s), if applicable, and included in the proposed appropriation amount(s). Departments must then return the sheet to their Finance budget analysts no later than October 14, 2008. Finance budget analysts must submit the assessment sheets to FSCU by October 16, 2008.

III. Statewide Cost Allocation Plan

Statewide Cost Allocation Plan (SWCAP) represents recoveries from federal funds for statewide general administrative costs incurred by CSAs. These recoveries are required by Government Code Sections 13332.01, 13332.02, and 22883. SWCAP includes only those central service costs which are allowable for federal reimbursement purposes. The costs of each central service are apportioned to state departments that receive federal funds. Unless prohibited by the federal government, each department that receives federal funds must recover their SWCAP costs and request the SCO to transfer the recoveries to the General Fund. Departments are responsible for complying with federal and state requirements to ensure that SWCAP costs can be recovered from the federal government. It is anticipated that reports reflecting the apportioned costs for 2009-10 will be available by October 10, 2008 at: http://www.dof.ca.gov/FISA/PROSWCAP/swcap_detail_reports.htm.

FSCU calculates the SWCAP apportionments. In early October, the 2009-10 SWCAP apportionments, which are on pink sheets, will be provided to Finance budget analysts, who will complete and forward the sheets to the departments. A sample of the SWCAP apportionment sheet is provided in Attachment II. Departments must include the budgeted SWCAP amount from this sheet in their budgeted federal receipts. In addition, departments must reflect the budgeted SWCAP amount on the DF 300 on a separate line using UCM object code 330439. To the extent that federal fund receipts can be adjusted under applicable federal laws to reflect changes in SWCAP apportionments, planning estimates for federal funds need to be adjusted to reflect changes from prior levels. Finance budget analysts will work with departments to ensure that appropriate funding adjustments are made and verify that the DF 300 accurately reflects the SWCAP apportionments.

Departments must sign the SWCAP apportionment sheet to certify that the budgeted SWCAP amount has been included in the budgeted federal receipts and that it is allowed under the specified federal programs. Departments must then return the sheet to their Finance budget analysts no later than October 14, 2008. Finance budget analysts must submit the apportionment sheets to FSCU by October 16, 2008.

IV. Indirect Cost Rate Proposal

State Administrative Manual (SAM) Section 8756.1 requires each department that receives federal funds to prepare an Indirect Cost Rate Proposal (ICRP). The ICRP is required to be filed with the department's cognizant federal agency at least six months prior to the fiscal year that the ICRP applies. Prior to sending the ICRP to the cognizant federal agency, departments must submit ICRPs to FSCU for review and approval. At least three weeks should be allowed for FSCU's review. ICRPs must be in compliance with the state's Full Cost Recovery policy, as defined in SAM Section 8752.

V. Full Cost Recovery

Departments must recover full costs whenever goods or services are provided for others. Full costs include department direct and indirect (overhead) costs and central service costs. Refer to SAM Sections 8752-8758 for more information.

Additional information on Pro Rata, SWCAP, ICRPs, and other related items are available on our website at <http://www.dof.ca.gov/fisa/proswcap/proswcap.htm>. For Pro Rata assistance, please contact Beverly Yokoi at (916) 445-3434, extension 2144 or e-mail at fiproswp@dof.ca.gov. For SWCAP and ICRP assistance, please contact Natalie Villanueva at (916) 445-3434, extension 2139 or e-mail at fiproswp@dof.ca.gov.

/s/ Veronica Chung-Ng

Veronica Chung-Ng
Program Budget Manager

Attachments